

CONCRETE SCHOOL DISTRICT No. 11
Skagit County, Washington
September 1, 1990 Through August 31, 1992

Schedule Of Findings

1. District Payroll Charges Should Comply With Federal Regulations

This district improperly charged its budgeted payroll costs as actual payroll costs to the Federal ECIA Chapter 1 Remediation program without adequate support. The district's charges to federal programs are processed through the accounts payable and payroll systems. Our testing of charges through these systems included identification of the source, and determination of whether the payroll costs to federal programs represented time actually spent on federal program activities. For charges processed through the payroll system, each certificated employee's salary is charged according to an approved budget and preliminary personnel assignments. This practice results in recording budgeted payroll costs as actual payroll costs without adequate support for these charges.

The U.S. Office of Management and Budget (OMB) Circular A-87 states that:

Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

District officials were unaware of these requirements.

The absence of a system that meets the federal requirements, salary and benefits charged to federal programs cannot be supported by documentation of time actually spent on activities allowable for federal programs. This lack of adequate documentation could result in payroll costs being charged to federal programs which varies from resources that were actually dedicated to that program.

The absence of authenticated time and effort reports has resulted in questioned costs of \$29,737 and \$44,606 for all certificated salary and benefits charged to Federal ECIA Chapter 1 Remediation for fiscal years 1992 and 1991, respectively.

We recommend the district implement a time reporting system that complies with OMB Circular A-87 for all federal programs that are charged through payroll. Employees should fill out reports reflecting the distribution of activity. These reports should represent an after-the-fact distribution of time spent on federal programs. By doing so, charges would be based on actual time spent and not budget estimates. The reports should be prepared at least monthly and should be signed by the individual employee and by a responsible supervisory official having firsthand knowledge of the activities performed by the employee.